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LOK SABHA

The following Bill was introduced in Lok Sabha on the 22nd April, 1960:—

*BILL No. 23 OF 1960

A Bill further to amend the Reserve Bank of India Act, 1934.

BE it enacted by Parliament in the Eleventh Year of the Republic of India as follows:—

1. This Act may be called the Reserve Bank of India (Amendment) Act, 1960. Short title.

2 of 1934. 5 2. In section 17 of the Reserve Bank of India Act, 1934,—

Amendment
of section 17*

(a) after clause (4), the following clause shall be inserted, namely:—

63 of 1951.

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“(4A) the making to any State Financial Corporation established under the State Financial Corporations Act, 1951, of loans and advances repayable on the expiry of fixed periods not exceeding eighteen months from the date of such loan or advance, against securities of the Central Government or of any State Government, of any maturity, or against bonds and debentures issued by that Corporation and guaranteed by the State Government concerned and maturing within a period not exceeding eighteen months from the date of such loan or advance:

Provided that the amount of loans and advances granted to a State Financial Corporation under this clause shall not,

*The President has, in pursuance of clauses (1) and (3) of article 117 of the Constitution of India, recommended to Lok Sabha, the introduction and consideration of the Bill.

at any time, exceed in the aggregate sixty per cent. of the paid-up share capital thereof;”;

(b) existing clause (4A) shall be renumbered and relettered as clause (4AA);

(c) for clause (4BB), the following clause shall be substituted, namely:—

“(4BB) the making to any financial institution notified by the Central Government in this behalf, of loans and advances,—

(a) repayable on demand or on the expiry of fixed 10 periods not exceeding ninety days from the date of such loan or advance, against the securities of the Central Government or of any State Government, or

(b) repayable on the expiry of fixed periods not exceeding eighteen months from the date of such loan or 15 advance, against securities of the Central Government or of any State Government, of any maturity, or against bonds and debentures issued by that financial institution and guaranteed by the Central Government or any State Government, and maturing within a period not exceeding 20 eighteen months from the date of such loan or advance:

Provided that the amount of loans and advances granted to a financial institution under sub-clause (b) shall not at any time, exceed in the aggregate sixty per cent. of the paid-up share capital thereof;”;

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(d) after clause (11), the following clause shall be inserted, namely:—

“(11A) the acting as agent for the Central Government in guaranteeing the due performance by any small-scale industrial concern approved by the Central Government, of 30 its obligations to any bank or any other financial institution in respect of loans and advances made to it by such bank or other financial institution and the making as such agent of payments in connection with such guarantee;”.

STATEMENT OF OBJECTS AND REASONS

In order to facilitate the grant of loans by commercial banks and certain other financial institutions to small-scale industrial units, a scheme for guaranteeing the loans sanctioned in favour of such units has been prepared and is proposed to be brought into force. It is intended that the Reserve Bank of India should act as an agent of the Central Government for implementing this scheme. The Bill proposes to confer on the Reserve Bank of India the necessary authority to undertake this agency function. The opportunity provided by this amendment has also been utilised to authorise the Bank to extend medium-term loans to the State Financial Corporations and to other institutions notified by the Central Government.

NEW DELHI;

MORARJI DESAI.

The 19th April, 1960.

FINANCIAL MEMORANDUM

Under clause (11A) as proposed to be inserted in section 17 of the Reserve Bank of India Act, the Bank is empowered to act as an agent of the Central Government for the purpose of guaranteeing the loans and advances made to small-scale industrial units by banks and other financial institutions. The amounts, if any, which may have to be paid in pursuance of these guarantees cannot be precisely estimated at this stage. As a contribution is proposed to be levied from the industrial units, in consideration of the guarantees which are being offered by or on behalf of the Central Government, and as recoveries are also expected to be made in the usual course from the borrowers, after the guarantees have been invoked, the ultimate loss to be borne by the Central Government may not, however, be appreciable. The guarantee scheme is experimental at the present stage and will, if necessary, be revised in the light of actual experience.

M. N. KAUL,
Secretary.